

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC IMMEDIATE 8656

S E C R E T PHNOM PENH 16790

EXDIS

E.O. 11652: GDS

TAGS: EAID, CB

SUBJECT: PROPOSED THIRD AMENDMENT TO AUGUST 10, 1974 TITLE I PL

480 AGREEMENT

REF: STATE 277653

1. I APPRECIATE WASHINGTON'S CONTINUED EFFORTS TO KEEP THE SUPPLY OF RICE FLOWING.

2. HOWEVER I AM RELUCTANT TO PROCEED WITH AMENDING THE PL 480 AGREEMENT RIGHT AWAY SINCE THIS WILL RAISE THE TOTAL VALUE OF THE PL 480 AGREEMENT TO \$95.4 MILLION. IF WE UNDERSTAND CORRECTLY THE \$177 MILLION FOREIGN ASSISTANCE ECONOMIC ASSISTANCE CEILING, EVERY DOLLAR FOR PL 480 AGREEMENTS ABOVE \$77 MILLION CUTS INTO THE \$100 MILLION OF AID FUNDS AUTHORIZED UNDER THE FAA FOR OTHER COMPONENTS OF ECONOMIC AID PROGRAM IN SUPPORT OF THE KHMER REPUBLIC.

3. INCREASING THE PL 480 AGREEMENT TO \$95.4 AT THIS TIME WOULD CUT INTO THE \$100 MILLION BY \$18.4 MILLION. CONSEQUENTLY SOMETHING WOULD HAVE TO BE ELIMINATED FROM THE AID PROGRAM. SPECIFICALLY IT WILL NECESSITATE ELIMINATING THE COMMERCIAL IMPORT PROGRAM FOR THE REST OF THE FISCAL YEAR, CLOSING IT DOWN IMMEDIATELY. IT WILL ALSO REQUIRE POSTPONING, AND PROBABLY ELIMINATING, ANY FURTHER CONTRIBUTION TO THE EXCHANGE SUPPORT FUND, THIS TRUNCATING ITS OPERATIONS IN THE VERY NEAR FUTURE.

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4. THESE IMPORT PROGRAMS ALREADY HAVE BEEN REDUCED CONSIDERABLY, AND ARE NOW SUFFICIENT ONLY TO KEEP THE REMAINING INDUSTRIAL SECTOR BARELY OPERATING. STRIKES AND LABOR UNRESTFSUE TO FACTORY CLOSINGS BECAUSE OF A SHORTAGE OF IMPORTED INDUSTRIAL RAW MATERIALS AND THE RESULTANT LAYOFFS HAVE ALREADY OCCURRED. THEY WILL INCREASE RAPIDLY IF THE IMPORT PROGRAM ENDS.

5. STOPPING THE IMPORT PROGRAMS AT THIS TIME THUS IS A DECISION OF THE GRAVEST CONSEQUENCE, AND BEFORE SUCH A DECISION IS MADE I BELIEVE IT ESSENTIAL FIRST THAT ALL OTHER POSSIBLE ALTERNATIVES ARE EXPLORED.

DEAN

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